



**TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION**

**DEPARTMENT OF THE TREASURY**

**INTERNAL REVENUE SERVICE**

**TE/GE: EO Examination**

**1100 Commerce Street**

**Dallas, Texas 75242**

501.03-00

**Date: March 19, 2013**

**Number: 201414032**

**Release Date: 4/4/2014**

**LEGEND**

**ORG – Organization name**

**XX – Date Address - address**

**Employer Identification Number:**

**Person to Contact/ID Number:**

**Contact Numbers:**

**Telephone:**

**Fax:**

**CERTIFIED MAIL – RETURN RECEIPT REQUESTED**

Dear :

This is a final adverse determination regarding your exempt status under section 501(c)(3) of the Internal Revenue Code (the Code). Our favorable determination letter dated August 1, 20XX is hereby revoked and you are no longer exempt under section 501(a) of the Code effective January 1, 20XX.

The revocation of your exempt status was made for the following reasons:

ORG does not operate exclusively for charitable purposes as noted in section 1.501(c)(3)-1(c)(1) of the regulations. This section provides an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3). ORG failed to meet the operational test described in Treasury Regulation Section 1.501(c)(3)-1(c)(1).

Contributions to your organization are no longer deductible under section 170 of the Internal Revenue Code. You are required to file Federal income tax returns on Form 1120. Those returns should be filed with the appropriate Service Center.

Processing of income tax returns and assessment of any taxes due will not be delayed

should a petition for declaratory judgment be filed under section 7428 of the Internal Revenue Code.

If you decide to contest this determination, you may file an action for declaratory judgment under the provisions of section 7428 of the Code in one of the following three venues: United States Tax Court, the United States Claims Court or the District Court of the United States for the District of Columbia. A petition or complaint in one of these three courts must be filed before the 91<sup>st</sup> day after the date this determination was mailed to you if you wish to seek review of our determination. Please contact the clerk of the respective court for rules and the appropriate forms regarding filing petitions for declaratory judgment by referring to the enclosed Publication 892. Please note the United States Tax Court is the only one of these courts where a declaratory judgment action can be pursued without the services of a lawyer. You may write to the court at the following addresses:

You also have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal Appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law you have to file a petition in a United States court. The Taxpayer Advocate can, however see a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You can call 1-877-777-4778 and ask for Taxpayer Advocate assistance. If you prefer, you may contact your local Taxpayer Advocate at:

We will notify the appropriate State Officials of this action, as required by section 6104(c) of the Internal Revenue Code.

If you have any questions in regards to this matter please contact the person whose name and telephone number are shown in the heading of this letter.

Thank you for your cooperation.

Sincerely yours,

Nanette M. Downing  
Director, EO Examinations



**Department of the Treasury**  
**Internal Revenue Service**  
**Tax Exempt and Government Entities Division**  
2525 Capitol Street #217  
Fresno, CA 93721-2227

ORG  
ADDRESS

**Date:**  
December 21, 2012  
**Taxpayer Identification Number:**

**Form:**

**Tax year(s) ended:**

**Person to contact / ID number:**

**Contact numbers:**

**Manager's name / ID number:**

**Manager's contact number:**

**Response due date:**

### **Certified Mail - Return Receipt Requested**

Dear :

#### **Why you are receiving this letter**

We propose to revoke your status as an organization described in section 501(c)(3) of the Internal Revenue Code (Code). Enclosed is our report of examination explaining the proposed action.

#### **What you need to do if you agree**

If you agree with our proposal, please sign the enclosed Form 6018, *Consent to Proposed Action – Section 7428*, and return it to the contact person at the address listed above (unless you have already provided us a signed Form 6018). We'll issue a final revocation letter determining that you aren't an organization described in section 501(c)(3).

After we issue the final revocation letter, we'll announce that your organization is no longer eligible for contributions deductible under section 170 of the Code.

#### **If we don't hear from you**

If you don't respond to this proposal within 30 calendar days from the date of this letter, we'll issue a final revocation letter. Failing to respond to this proposal will adversely impact your legal standing to seek a declaratory judgment because you failed to exhaust your administrative remedies.

#### **Effect of revocation status**

If you receive a final revocation letter, you'll be required to file federal income tax returns for the tax year(s) shown above as well as for subsequent tax years.

#### **What you need to do if you disagree with the proposed revocation**

If you disagree with our proposed revocation, you may request a meeting or telephone conference with the supervisor of the IRS contact identified in the heading of this letter. You also may file a protest with the

IRS Appeals office by submitting a written request to the contact person at the address listed above within 30 calendar days from the date of this letter. The Appeals office is independent of the Exempt Organizations division and resolves most disputes informally.

For your protest to be valid, it must contain certain specific information including a statement of the facts, the applicable law, and arguments in support of your position. For specific information needed for a valid protest, please refer to page one of the enclosed Publication 892, *How to Appeal an IRS Decision on Tax-Exempt Status*, and page six of the enclosed Publication 3498, *The Examination Process*. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process. Please note that Fast Track Mediation referred to in Publication 3498 generally doesn't apply after we issue this letter.

You also may request that we refer this matter for technical advice as explained in Publication 892. Please contact the individual identified on the first page of this letter if you are considering requesting technical advice. If we issue a determination letter to you based on a technical advice memorandum issued by the Exempt Organizations Rulings and Agreements office, no further IRS administrative appeal will be available to you.

**Contacting the Taxpayer Advocate Office is a taxpayer right**

You have the right to contact the office of the Taxpayer Advocate. Their assistance isn't a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate can't reverse a legally correct tax determination or extend the time you have (fixed by law) to file a petition in a United States court. They can, however, see that a tax matter that hasn't been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate assistance. If you prefer, you may contact your local Taxpayer Advocate at:

Internal Revenue Service  
Office of the Taxpayer Advocate

**For additional information**

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Nanette M. Downing  
Director, EO Examinations

Enclosures:  
Report of Examination  
Form 6018  
Publication 892  
Publication 3498

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service	Schedule No. or Exhibit
<b>Explanation of Items</b>		
Name of Taxpayer: ORG		Year/Period Ended: December 31, 20XX

LEGEND

ORG - Organization name      XXX - Date      State - state      President - president

**Issues:**

Does the ORG continue to qualify for exemption from Federal income tax under Internal Revenue Code section 501(c)(3)?

**Facts:**

The ORG (ORG) incorporated on April 29, 20XX in the state of State. Article II of the ORG's Articles of Incorporation state that the ORG is a nonprofit public benefit corporation, is not organized for private gain of any person, and its specific purpose is to preserve aircraft for education and enjoyment of the public.

The ORG submitted Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, to the Internal Revenue Service (IRS) on May 12, 20XX. The narrative description in Part II states that the ORG's activities will be:

*To promote and encourage the preservation and operation of military aircraft, to educate its members, and other interested persons, in methods of safe operation and maintenance of World War II aircraft and to organize and promote fly-ins, air shows, air meets, static displays and other public demonstrations of military aircraft.*

*To acquire, restore, and preserve in flying condition a collection of military equipment and historical aircraft, which were flown by the nations of the world for the education and enjoyment of present and future generation of Americans.*

*To construct or obtain ORG building facilities or the permanent protection, maintenance, and display of these historic military equipment aircraft, period artifacts and documents as a tribute to the thousands of men and women who built, serviced, and flew them.*

The IRS issued an advance ruling letter dated August 1, 20XX recognizing the ORG as an organization described in Internal Revenue Code (Code) section 501(c)(3). The letter also advised the ORG that it could reasonably expect to be a public charity as described in Code section 107(b)(1)(A)(vi). A copy of the final determination letter was not available. Current IRS records show that the ORG is recognized as an organization described in Code section 501(c)(3) and 107(b)(1)(A)(vi).

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In an interview conducted with President, President of the ORG, on December 18, 20XX, he stated that the ORG has been inactive since 20XX. The ORG anticipated securing military aircraft for public display in a ORG setting, but the plans did not materialize. The ORG solicited aircraft and related equipment from the US Government in the initial year, but none was received. The ORG has not received any financial support from any source and does not have a bank account. Similarly the ORG has not incurred or paid any expenses. The ORG does not carry on any activities.

**Law:**

Code section 501(c)(3) exempts from federal income tax organizations organized and operated exclusively for charitable, educational, and other exempt purposes, provided that no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

Federal Tax Regulations (Regulations) section 1.501(c)(3)-1(a) states in part that in order to be exempt as an organization described in Code section 501(c)(3), the organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt. The term "exempt purpose or purposes", as used in this section, means any purpose or purposes specified in section 501(c)(3).

Regulations section 1.501(c)(3)-1(c)(1) provides that an organization will not be regarded as operated exclusively for exempt purposes if more than an insubstantial part of its activities is not in furtherance of exempt purposes.

**Taxpayer's Position:**

The Taxpayer conceded that the ORG has not carried on a charitable activity, or any other activity, since 20XX. The Taxpayer agreed to the proposed revocation and executed Form 6018.

**Government's Position:**

The ORG does not continue to qualify for exemption under Code section 501(c)(3) because it did not demonstrate that it is carrying on a charitable activity. The ORG was unable to demonstrate that it was carrying on any activities. The Taxpayer was afforded an opportunity to provide support to demonstrate that it was carrying on a charitable activity, or activities, in the subsequent years, but stated that the ORG has not been active since 20XX.

**Conclusion:**

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
Name of Taxpayer: ORG		Year/Period Ended: December 31, 20XX

The ORG does not continue to qualify for exemption under Code section 501(c)(3) because it did not demonstrate that it carries on a charitable activity.